

Message Text

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FM AMCONSUL ISTANBUL

TO SECSTATE WASHDC 5392

INFO AMEMBASSY ANKARA

AMCONSUL ADANA

AMCONSUL IZMIR

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E.O. 11652: GDS

TAGS: EGEN, ENRG, TU

SUBJ: MOBIL OIL PROBLEMS AND PROSPECTS

REF: ANKARA 4453 AND 5133

SUMMARY: ALTHOUGH MOBIL RECENTLY RECEIVED SOME LIMITED RELIEF ON PROFIT MARGINS FOR THE ATAS REFINERY, IT SEES LITTLE PROSPECT THAT TURKISH GOVT IN NEAR FUTURE WILL GRANT HIGHER PRICES FOR IMPORTED CRUDE. MOBIL RECENTLY HAS BEEN SUPPLYING LARGE QUANTITIES CRUDE AND ANTICIPATES IT WILL CONTINUE SUPPLIES UNTIL CYPRUS PROBLEM COOLS OFF. ATAS REFINERY HAS BEEN OPERATING AT PEAK LEVELS FOR MOST OF PAST MONTH. BEGINNING IN 1975 MOBIL IS PLANNING TO START UP MODEST EXPLORATION PROGRAM. END SUMMARY

1. CASANOVA, PRESIDENT OF MOBIL COMPANIES IN TURKEY, RECENTLY TOLD CONGEN OFFICER THAT THERE HAS BEEN LITTLE CHANGE IN CURRENT PROBLEMS FACING MOBIL SINCE CRUDE IMPORTS WERE RESUMED ABOUT SIX WEEKS AGO. PROFIT MARGINS FOR ATAS REFINERY HAD BEEN INCREASED SOMEWHAT, BUT AMOUNT FINALLY GIVEN WAS SUBSTANTIALLY BELOW MOBIL REQUEST AND LESS THAN GOVT EXPERTS HAD

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RECOMMENDED. ACCORDING TO CASANOVA, MINISTRY OFFICIALS HAD TOLD

MOBIL IT WOULD BE ALLOWED TL 50 PER BARREL PROFIT (WHAERAS GOVT EXPERTS HAD RECOMMENDED A PROFIT MARGIN OF AT LEAST TL 60). WHEN DECREE ESTABLISHING NEW PROFIT MARGINS WAS ANNOUNCED, HOWEVER, MOBIL DISCOVERED IT HAD BEEN ALLOWED ONLY TL 22 P.B. DUE TO REVISED METHOD OF CALCULATING THE MARGINS. CASANOVA NOTED WRYLY THAT EVEN RECOMMENDED TL 60 P.B. PROFIT WOULD MAINTAIN ATAS' POSITION AS LEAST PROFITABLE COMPARED WITH OTHER MOBIL REFINERIES AROUND WORLD.

2. WITH RESPECT TO MEETING MOBIL'S REQUEST FOR 10.98 P.B. FOR IMPORTED CRUDE, CASANOVA SAID HE EXPECTED TO MEET WITH MINISTRY OFFICIALS IN EARLY AUGUST TO DISCUSS THIS QUESTION WHICH HAD REMAINED UNRESOLVED SINCE HIS JUNE 15 MEETING WITH THE ENERGY MINISTER. HOWEVER, DESPITE FACT THAT MOBIL HAD BEEN IMPORTING LARGER THAN USUAL QUANTITIES OF CRUDE AND ATAS HAD BEEN OPERATING AT MORE THAN PEAK CAPACITY (FOR TWENTY DAYS THE REFINERY WAS PRODUCING 100,000 BPD; PEAK CAPACITY IS CONSIDERED TO BE 89,000 B.P. D.), HE DOUBTED MOBIL REQUEST WOULD BE GRANTED IN NEAR FUTURE. CASANOVA FELT THAT IN HIGHLY CHARGED EMOTIONAL ATMOSPHERE SURROUNDING CYPRUS SITUATION, COMAPNY HAD NO CHOICE BUT TO CONTINUE SUPPLY. THEREFORE MOBIL RESPONSE TO PROLONGED REFUSAL TO GRANT CRUDE PRICE INCREASES WOULD HAVE TO AWAIT COOLING OF CYPRUS PROBLEM.

3. CONCERNING MOBIL PLANS TO ENTER ONCE AGAIN THE PETROLEUM EXPLORATION FIELD, CASANOVA SAID THAT MONEY HAD BEEN BUDGETED TO COMMENCE OPERATIONS IN 1975. MOBIL WOULD BEGIN WITH LAND EXPLORATIONS ON A MODEST SCALE AND THEN LATER MOVE OFFSHORE EXPLORATIONS. CASANOVA NOTED THAT EXPLORATIONS IN TURKEY WERE OF NO INTEREST TO MOBIL INTERNATIONAL SINCE MOBIL DID NOT BELIEVE THAT SUBSTANTIAL QUANTITIES OF OIL EXISTED IN TURKEY. NONETHELESS, EVEN SMALL DISCOVERIES COULD RETURN A PROFIT FOR TURK MOBIL.

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